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# MARSHALL WELLS LIMITED

## ANNUAL REPORT

JANUARY TWENTY-FIFTH

1969









# DIRECTORS and OFFICERS



## MARSHALL WELLS LIMITED

### BOARD OF DIRECTORS:

R. BRUCE SUTHERLAND .....	Winnipeg
ARNOLD G. KIRKNESS .....	Winnipeg
PHILIP C. FIKKAN .....	Winnipeg
STEPHEN J. COPPINGER .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis

### OFFICERS OF THE COMPANY:

R. BRUCE SUTHERLAND .....	President
STEPHEN J. COPPINGER .....	Sr. Vice-President
ROBERT G. ROCK .....	Vice-President
WALTER R. GAMBS .....	Vice-President
LEONARD A. HEAD .....	Vice-President
DONALD D. BAILEY .....	Vice-President
E. C. H. PERRIN .....	Vice-President
G. J. STEVENSON .....	Vice-President
J. IRVING WHITFORD .....	Secretary-Treasurer and Controller

### MANAGEMENT BOARD:

R. BRUCE SUTHERLAND .....	Winnipeg
STEPHEN J. COPPINGER .....	Winnipeg
WALTER R. GAMBS .....	Winnipeg
ROBERT G. ROCK .....	Winnipeg
LEONARD A. HEAD .....	Winnipeg
DONALD D. BAILEY .....	Winnipeg
E. C. H. PERRIN .....	Vancouver
G. J. STEVENSON .....	Edmonton
J. IRVING WHITFORD .....	Winnipeg
ARTHUR G. JOHNSON .....	Minneapolis

## INTERNATIONAL LABORATORIES (1957) LIMITED

### BOARD OF DIRECTORS:

PHILIP C. FIKKAN .....	Winnipeg
R. BRUCE SUTHERLAND .....	Winnipeg
NORMAN W. CODE .....	Winnipeg
JOHN B. CHEYNE .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis

### OFFICERS OF THE COMPANY:

PHILIP C. FIKKAN .....	President
NORMAN W. CODE .....	Vice-President
J. IRVING WHITFORD .....	Secretary-Treasurer

## MARSHALL WELLS REALTY LIMITED

### BOARD OF DIRECTORS:

R. BRUCE SUTHERLAND .....	Winnipeg
B. FREDERICK DAVIDSON .....	Minneapolis
J. IRVING WHITFORD .....	Winnipeg

### OFFICERS OF THE COMPANY:

R. BRUCE SUTHERLAND .....	President
B. FREDERICK DAVIDSON .....	Vice-President
ROBERT G. ROCK .....	Vice-President
STEPHEN J. COPPINGER .....	Vice-President
J. IRVING WHITFORD .....	Secretary-Treasurer

### Transfer Agent and Registrar for First Preferred Stock

NATIONAL TRUST COMPANY, LIMITED  
Winnipeg

Trustee and Registrar for 6% Debentures  
NATIONAL TRUST COMPANY, LIMITED  
Winnipeg

Trustee & Registrar for 8¾%  
Series A Secured Notes

CANADA PERMANENT TRUST COMPANY  
Winnipeg

### Auditors

PEAT, MARWICK, MITCHELL & Co.,  
Winnipeg



# PRESIDENT'S REPORT



*To our Shareholders:*

Market conditions in the rural prairie areas that we serve, and the pressure of an inflationary economy on costs, presented a challenge to your company in 1968. The positive way in which the management team responded with well-planned merchandising and operating programs prevented any serious inroads into our profits.

Consolidated net sales of \$42,132,188 were 2% below those of the previous year. Industrially, we continue to benefit from the increased activity of the building trades. The specialization program entered into 3 years ago contributed to better penetration of this growing market and produced another record sales year for this division.

Retail sales in our agricultural areas were affected by the critical grain situation which developed during the latter half of the year.

Net profits of \$756,533 were slightly lower than the \$809,243 earned in the previous year. Aside from lower sales, net profits in 1968 were affected by increased charges for financing and lower margins to meet retail competition. In spite of substantially higher wage costs, operating expenses were carefully controlled, which minimized the reduction in our net income.

Retained earnings were increased by \$276,945 during the year after payment of preferred stock dividends of \$479,588.

To provide for future expansion, your company increased its working capital by \$6,409,688 through an issue of Series A secured notes. All short term borrowings were retired and the balance placed in investments from which required funds are readily available.

Currently, our plans for 1969 provide a sound basis for growth, and operating objectives are aimed at a higher return on invested capital. We begin the year with 10 new Marshall Wells franchise locations approved and operators signed for store openings. Applications are pending from an additional 22 prospective dealers.

Our lack of participation in the urban retail market has been of concern to us. A market study is underway and we intend to take advantage of the opportunities available in these highly populated areas in 1969.

Retail sales in the agricultural sections of our Prairie Provinces will continue to feel the impact of the grain situation. Fortunately, we are a well-diversified company serving a broad area and, with our plans to enter new markets and expand in prospering areas, we approach the year 1969 with confidence.

We are strengthened by the loyalty of our employees and the cooperation of our customers and suppliers. On behalf of our directors, I express our sincere appreciation to these people.

R. B. SUTHERLAND, *President*





# AUDITORS' REPORT

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Marshall Wells Limited and Subsidiaries as of January 25, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the fifty-two weeks then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 25, 1969 and the results of their operations and the source and application of their funds for the fifty-two weeks then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

Winnipeg, Manitoba  
March 4, 1969



# MARSHALL WELLS LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheet

January 25, 1969

with comparative figures for 1968

### ASSETS

	1969	1968
Current assets:		
Cash .....	\$ 8,169	532,056
Customers' charge and instalment accounts less allowance for doubtful accounts and unearned interest \$711,093 (1968 - \$687,438) .....	4,866,823	4,472,105
Due from affiliated companies .....	4,784,932	—
Inventories, at the lower of cost or net realizable value .....	12,111,689	12,329,398
Special refundable tax .....	8,400	5,400
Prepaid expenses .....	82,369	88,590
Total current assets .....	<u>21,862,382</u>	<u>17,427,549</u>
Special refundable tax, deferred .....	26,155	37,787
Investment in common shares of Wood Alexander Limited, at cost .....	746,250	746,250
Fixed assets, at cost less accumulated depreciation and amortization (note 1) .....	3,003,493	3,126,811
Unamortized debenture discount .....	439,062	428,750
	<u>\$26,077,342</u>	<u>21,767,147</u>

See accompanying notes to consolidated financial statements.



# BALANCE SHEET

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 4,010,693	2,807,308
Income taxes payable .....	211,171	339,297
Due to affiliated companies .....	—	3,253,256
Current portion of long-term debt .....	93,445	2,753
Total current liabilities .....	<u>4,315,309</u>	<u>6,402,614</u>
Long-term debt:		
8¾% Series A Secured Note, due May 1, 1994, repayable in quarterly instalments including principal and interest of \$159,405 .....	6,450,000	—
6% mortgage, due December 1, 1974, repayable in monthly instalments including principal and interest of \$336 .....	20,071	22,824
6% Sinking Fund Debentures, Series A, due May 15, 1982 (note 2) .....	4,453,500	4,689,500
	<u>10,923,571</u>	<u>4,712,324</u>
Less current portion .....	93,445	2,753
	<u>10,830,126</u>	<u>4,709,571</u>
Shareholders' equity:		
Capital stock:		
6½% cumulative redeemable first preferred shares of the par value of \$5 per share. Authorized 1,450,000 shares; issued 1,116,335 shares .....	5,581,675	5,581,675
6% cumulative redeemable second preferred shares of the par value of \$5 per share. Authorized 500,000 shares; issued 389,250 shares .....	1,946,250	1,946,250
Common shares without nominal or par value.		
Authorized and issued 400,000 shares .....	2,000,000	2,000,000
	<u>9,527,925</u>	<u>9,527,925</u>
Retained earnings .....	1,403,982	1,127,037
	<u>10,931,907</u>	<u>10,654,962</u>
	<u>\$26,077,342</u>	<u>21,767,147</u>

On behalf of the Board:

R. B. SUTHERLAND, Director  
S. J. COPPINGER, Director





# PROFIT and LOSS

## MARSHALL WELLS LIMITED AND SUBSIDIARIES

### Consolidated Statement of Income and Retained Earnings

Fifty-two weeks ended January 25, 1969

with comparative figures for 1968

	1969	1968
* Sales, net .....	\$42,132,188	43,025,775
Operating income before charging the undernoted expenses .....	2,288,479	2,605,418
Expenses:		
Directors' remuneration (including salaries as executive officers) .....	64,100	63,400
Legal fees .....	10,639	3,566
Depreciation (note 1) .....	196,379	210,682
Amortization of leasehold improvements .....	1,834	1,351
	272,952	278,999
Operating income .....	2,015,527	2,326,419
Other income:		
Interest .....	75,459	80,681
Gain on sale of fixed assets .....	28,374	17,943
Dividends .....	15,000	15,000
Miscellaneous .....	31,687	9,388
	150,520	123,012
Other deductions:		
Provision for contribution to retirement security plan .....	220,832	256,507
Interest—long-term debt .....	423,105	288,170
—other .....	108,676	260,078
Debenture discount, net (note 3) .....	(3,099)	11,433
	749,514	816,188
Income before income taxes .....	1,416,533	1,633,243
Income taxes .....	660,000	824,000
* Net income .....	756,533	809,243
Retained earnings, beginning of period .....	1,127,037	797,382
	1,883,570	1,606,625
Dividends paid - preferred shares .....	479,588	479,588
Retained earnings, end of period .....	\$ 1,403,982	1,127,037

See accompanying notes to consolidated financial statements.



## MARSHALL WELLS LIMITED AND SUBSIDIARIES

### Consolidated Statement of Source and Application of Funds

Fifty-two weeks ended January 25, 1969  
with comparative figures for 1968

	1969	1968
Funds provided:		
Net income .....	\$ 756,533	809,243
Add charges not requiring cash expenditure:		
Depreciation and amortization of fixed assets (note 1) .....	198,213	212,033
Amortization of debenture discount .....	30,000	30,000
	<u>984,746</u>	<u>1,051,276</u>
Less gain on sale of fixed assets .....	28,374	17,943
Funds provided from operations .....	956,372	1,033,333
Proceeds on sale of fixed assets .....	78,594	43,276
Recovery of special refundable tax .....	11,632	—
Issue of long-term debt less issue expenses \$40,312 .....	6,409,688	—
Total funds provided .....	<u>7,456,286</u>	<u>1,076,609</u>
Funds used:		
Payment of special refundable tax .....	—	22,487
Purchase of fixed assets .....	125,115	102,006
Repayment of long-term debt .....	329,445	313,254
Payment of dividends .....	479,588	479,588
Total funds used .....	<u>934,148</u>	<u>917,335</u>
Increase in working capital .....	<u>\$ 6,522,138</u>	<u>159,274</u>

See accompanying notes to consolidated financial statements.



# MARSHALL WELLS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

January 25, 1969

1. Fixed assets, at cost less accumulated depreciation and amortization consist of:

	1969	1968
Land, at cost .....	\$ 540,234	527,144
Buildings, at cost .....	\$ 3,479,564	3,475,345
Less accumulated depreciation .....	<u>1,402,661</u> 2,076,903	<u>1,290,240</u> 2,185,105
Equipment, at cost .....	1,435,644	1,394,860
Less accumulated depreciation .....	<u>1,072,572</u> 363,072	<u>1,005,113</u> 389,747
Land improvements, at cost .....	12,625	16,833
Less accumulated depreciation .....	<u>2,733</u> 9,892	<u>4,140</u> 12,693
Leasehold improvements, at cost .....	19,041	15,937
Less accumulated amortization .....	<u>5,649</u> 13,392	<u>3,815</u> 12,122
	<u>\$ 3,003,493</u>	<u>3,126,811</u>

Depreciation has been provided on the diminishing balance method at the undernoted rates:

Buildings:

Frame .....	10%
Other .....	5%

Equipment:

Automotive .....	30%
Other .....	20%
Land improvements .....	4%

Leasehold improvements are being amortized over the unexpired terms of the leases.

2. The Debenture Trust Deed requires the company to redeem debentures of a principal amount of \$300,000 each year up to and including 1981 and to redeem the balance in 1982.

	1969	1968
Balance outstanding, beginning of period .....	\$ 4,689,500	5,000,000
Debentures purchased during the period for sinking fund requirements in respect of:		
May 15, 1968 .....	—	300,000
May 15, 1969 .....	<u>236,000</u>	<u>10,500</u>
	<u>236,000</u>	<u>310,500</u>
Balance outstanding, end of period .....	<u>\$ 4,453,500</u>	<u>4,689,500</u>

3. The amortization of debenture discount of \$30,000 (1968 - \$30,000) has been applied against the discounts received on the purchase of debentures for sinking fund requirements of \$33,099 (1968 - \$18,567).



# DIRECTORY

## EXECUTIVE OFFICES

1395 Ellice Avenue, Winnipeg  
President, R. B. Sutherland  
Senior Vice-President, S. J. Coppinger  
Vice-President, retail operations, W. R. Gambs  
Vice-President, industrial sales, L. A. Head  
Vice-President, merchandising, D. D. Bailey  
Secretary-Treasurer and Controller, J. I. Whitford

## MERCHANDISING BRANCHES

Winnipeg 1395 Ellice Ave. Vice-President and Manager, R. G. Rock  
Sub-warehouse at Port Arthur  
  
Regina 8th and Hamilton Streets Manager, G. E. Williams  
  
Saskatoon 25, 33rd Street Manager, G. S. Clark  
Sub-warehouse at Prince Albert  
  
Calgary 4040 Blackfoot Trail Manager, W. J. Faulkner  
  
Edmonton 10360, 103rd Street Vice-President and Manager, G. J. Stevenson  
  
Vancouver 549 - 573 Carrall Street Vice-President and Manager, E. C. H. Perrin  
Sub-warehouses at New Westminster and Prince George

## MANUFACTURING SUBSIDIARY

### INTERNATIONAL LABORATORIES (1957) LIMITED

St. Boniface 490 Rue Des Meurons Vice-President and Manager, N. W. Code

## REAL ESTATE SUBSIDIARY

### MARSHALL WELLS REALTY LIMITED

1395 Ellice Avenue, Winnipeg





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# MARSHALL WELLS LIMITED